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# **Utilization of Development Credit Authority (DCA) Credit Guarantees**

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## Background and Purpose

- DCA allows USAID to issue partial loan guarantees to private sector lenders, pledging to cover the lender's risk of borrower default up to 50% of loan principal;
- Partial loan guarantees are tools that encourage financial Institutions to provide loans to new sectors or borrowers or offer more innovative financing terms;
- It reduces market entry risks for lenders contemplating new products.

## **Benefits of DCA Guarantees to Private Financial Institutions**

- Encourage PFIs to reduce their risk perception to provide access to credit to underserved markets;
- Reduce their excess liquidity;
- Improve capacity to access and manage risks;
- Provide longer term lending;
- Reduce inappropriate collateral requirements;
- Offer market based interest rates.

## USAID DCA Guarantee Facility in Nigeria

- USAID currently have DCA Guarantee agreements with four Nigerian financial Institutions (Zenith, Fidelity, Bank PHB and Skye Banks);
- \$26 million in partial loan guarantees (agric, SME, & mortgage).



## USAID DCA Guarantee Facility in Nigeria Contd.

Partner Name	Region Code	Country	Start Date	End Date	Primary Target Sector Code	Credit Agreement Type	% Utilization	Maximum Cumulative Disbursements
Zenith Bank	AFR	Nigeria	9/12/2006	9/11/2018	Housing	LPG	30%	\$10,000,000
Fidelity Bank	AFR	Nigeria	9/13/2006	9/12/2012	SME	LPG	70%	\$5,000,000
Platinum Habib Bank	AFR	Nigeria	9/28/2007	9/28/2013	SME	LPG	71%	\$5,500,000
Skye Bank	AFR	Nigeria	9/28/2007	9/28/2013	SME	LPG	0%	\$5,500,000
								Maximum Cumulative Disbursements \$26,000,000

## Criteria for a Qualifying Loan

A “Qualifying Loan” is one made to a “Qualifying Borrower” as defined below:

- Non-sovereign Nigerian Micro, Small, and Medium –sized Enterprises (MSMEs) with total assets no greater than Five Hundred Million Naira (N500,000,000), especially those that are involved in agriculture, agribusiness and supporting industries.

## Criteria for a Qualifying Loan Contd.

The loan **MUST NOT** be used to finance any of the following:

- Goods or services which are to be used primarily to meet military requirements or to support police or other law enforcement activities;
- Surveillance equipment;
- Equipment, research and/or services related to involuntary sterilization or the performance of abortion as a method of family planning;

## Criteria for a Qualifying Loan Contd.

- Gambling equipment, supplies for gambling facilities or any hotels, casinos or accommodations in which gambling facilities are or are planned to be located, or
- Activities which significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas.